



State of South Carolina  
Department of Health and Human Services

Mark Sanford  
Governor

March 19, 2009

Emma Forkner  
Director

Thomas J. Bardin, Jr., Director  
Legislative Audit Council  
1331 Elmwood Ave., Suite 315  
Columbia, South Carolina 29201

Dear Mr. Bardin:

The South Carolina Department of Health and Human Services (SCDHHS) is submitting these comments for inclusion in the audit report titled *A Review of the Non-Emergency Medical Transportation Program of the South Carolina Department of Health and Human Services*. We appreciate the chance to provide members of the General Assembly as well as the taxpayers of South Carolina with complete information on the performance of the Medicaid Non-Emergency Medical Transportation Program. While we welcome the Legislative Audit Council's (LAC) suggestions for continued improvement, most of the conclusions of its report are unfortunately based on opinion and speculation rather than objective and valid criteria and evidence. SCDHHS stands behind our decision to manage the Medicaid Non-Emergency Medical Transportation Program through a Broker-based system because it has resulted in documented, positive benefits for the South Carolina Medicaid program. SCDHHS will continue to monitor Broker performance, collect detailed data for analysis, and ensure efficient and effective transportation services to Medicaid beneficiaries.

It is regrettable that the LAC did not use all of the evidence we supplied for this report. Therefore, we would like to take this opportunity to include all of the information in order to put the LAC findings in perspective. Our documentation demonstrates that:

- The Broker-based transportation system is providing quality services to beneficiaries in a cost-effective manner;
- SCDHHS has complied with all aspects of the SC Procurement Code;
- A comprehensive, multi-faceted program to monitor Broker services has been established, resulting in program enhancements;
- SCDHHS is collecting extensive performance and financial data for analysis and performance improvement;
- The Medicaid Transportation Advisory Committee is a valuable tool for managing the NEMT program.

My staff and I will be available to answer any questions raised by our comments.

Sincerely,

A handwritten signature in cursive script that reads "Emma Forkner".  
Emma Forkner  
Director

EF:jp  
Enclosures

**South Carolina Department of Health and Human Services  
Response to LAC Audit of the Non-Emergency Medical Transportation Program**

***Overall Finding***

*We found no evidence indicating whether an in-house management system or a Broker-based system is inherently superior for minimizing cost or maximizing quality of service.*

SCDHHS finds that it has obtained benefits from a Broker-based system for NEMT management that would not have been possible under an in-house system. The LAC reports the findings of an independent actuary that the rate of increase in non-emergency transportation expenditures has been reduced under the Broker-based system. Based on this actuary's projections, actual NEMT expenditures in FY 07-08 of \$52.5 million could have been as much as \$60.6 million if the in-house system had remained in place with no changes. We also agree with the LAC's assertion that "a broker-based transportation system provides incentive to operate efficiently, assuming DHHS has an effective system of purchasing and monitoring the brokers' services."

In addition to the cost savings demonstrated, SCDHHS has also required extensive complaint monitoring and management by the Brokers, and has collected a large volume of performance data in order to maintain accountability and performance improvement. As stated by the LAC, "Under their contracts with SCDHHS, the brokers have implemented centralized call centers for making appointments, careful screening of clients to ensure eligibility, and controls to ensure the mode of transportation is economical."

In FY 07-08, SCDHHS provided a cost benefit analysis, in response to a legislative inquiry, that showed the administrative cost to create a comparable in-house system could have been as much as **\$15,000,000** in the first year alone for additional staffing, communication infrastructure such as toll free lines, route optimization software, and other IT costs.

Finally, SCDHHS has commissioned the University of South Carolina, Institute for Public Service and Policy Research to conduct surveys of Medicaid beneficiaries who had received transportation services provided through the Broker system. In the first survey conducted in October 2007, beneficiaries reported a high rate of satisfaction (88%) with their Medicaid transportation services under the Broker system. Moreover, 52% felt the Broker system was an improvement over the old system, and 34.2% indicated that it was about the same. A follow-up beneficiary survey was conducted this year and reinforces the positive impact of the Broker system. Preliminary findings show that 82% of respondents reported that the NEMT transportation meets their needs (77% "always" and 12% "usually"); 50.4% rated the Broker-based system "the best transportation service possible."

In light of all this information, it is hard to justify the LAC's conclusion in its overall finding.

**NEMT In-House System in Operation Until 2007**

- *DHHS contracted with local transportation providers without using competitive procurement methods required by state law.*

All SCDHHS actions complied with state procurement laws and were driven by the mandate to provide uninterrupted transportation services to Medicaid beneficiaries.

SCDHHS issued a Request for Proposals (RFP) for NEMT on November 5, 2004, prior to the expiration of the transportation contracts on December 31, 2004. Because a new contract award would not be issued before the expiration of the contracts, SCDHHS issued an emergency procurement with the same providers who were providing transportation services at that time. SCDHHS is required by federal law to provide medical transportation services for Medicaid beneficiaries, and a disruption in these services could not be allowed. The transportation providers included the major Regional Transportation Authorities (RTA) such as the Pee Dee RTA and the Santee-Wateree RTA, as well as the Councils on Aging transportation providers. Each of these providers agreed to extend their *current, competitively procured contracts* under existing rates until a new Broker-based system was in place.

SCDHHS provided sufficient justification for the emergency procurement and followed every aspect of the SC Procurement Code in doing so. Section 11-35-1570, Emergency Procurement, states "Notwithstanding any other provision of this code, the chief procurement officer, the head of a purchasing agency, or a designee of either officer may make or authorize others to make emergency procurements only when there exists an immediate threat to public health, welfare, critical economy and efficiency, or safety under emergency conditions as defined in regulations promulgated by the board; and provided, that such emergency procurements shall be made with as much competition as is practicable under the circumstances. A written determination of the basis for the emergency and for the selection of the particular contractor shall be included in the contract file." (Emphasis added.) Since SCDHHS extended contracts that previously were competitively procured, the requirement to seek as much competition as practicable was met.

Failure to provide transportation to Medicaid beneficiaries could certainly affect the health of these beneficiaries and could have forced beneficiaries to use more costly means of transportation, i.e., emergency transportation, thereby costing the state more funds. Also, the providers agreed to provide transportation services at the rate they were presently receiving under the contracts that had been competitively procured. These providers did not receive any rate increase for continuing to provide transportation services under the emergency procurement. The LAC finding that "the use of emergency procurements may have resulted in increased costs to the agency" is not substantiated. This information was provided to the LAC.

The procurement of a medical transportation system, because of the amount of money involved, the complex nature of the services needed, and the procurement process itself, is always a lengthy process, and two years is not unreasonable. One reason for the length of time needed to develop and award the RFP was that SCDHHS held meetings with the existing medical transportation providers. SCDHHS wanted to ensure that the medical transportation providers had input into the process, since these same providers would be providing the actual services under the Broker-based system.

DHHS began the procurement process prior to the expiration of the competitive provider contracts. However, due to the new solicitation not being awarded prior to the December 31, 2004, expiration date, an emergency procurement was appropriate. Using the emergency procurement in this situation was allowed under the SC Procurement Code and is recognized by MMO as a valid method of procurement. SCDHHS did comply with the state law regarding emergency procurements.

- *Before deciding to switch from an in-house management system to a broker-based system, DHHS did not conduct a written cost / benefit analysis of the two systems.*

While a written analysis was not produced, SCDHHS did base its decision on cost and utilization data and on a clear understanding of the benefits inherent in a Broker transportation system. These include: consolidation and improvement of management and operational functions obtained through a competitive bidding process; improved service coordination through a neutral party; reduction in contractual relationships and oversight and compliance issues (substantially less contracts to monitor); fixed fees; capitated payments that transfer risk to the Broker; and economies of scale related to aggregate purchasing. It is also obvious that SCDHHS, as the Single State Agency for Medicaid administration, is not necessarily an expert when it comes to operating a major transportation system expected to serve more than 800,000 clients who take almost two million trips annually.

The LAC recommends that SCDHHS conduct “formal analysis, addressing cost, quality, and measurable goals, before making significant changes in the non-emergency medical transportation program.” SCDHHS agrees it will not make significant changes to the Brokers’ contract or enter into a new procurement until this formal analysis has been conducted.

- *The department also implemented the broker-based system statewide without a pilot project or phase-in period.*

The LAC has failed to consider the feasibility of and complexities involved in implementing a transportation system as a pilot project. It would be difficult for a vendor to sustain the upfront costs necessary for a pilot or demonstration project; in addition, a contract for even a pilot project would have to be competitively bid. Furthermore, having one transportation system for a county or region, and a different one for the rest of the state could have resulted in much confusion for beneficiaries and increased numbers of complaints and missed trips.

- *DHHS did not document the reasons for selecting the companies to which it awarded Broker contracts.*

The Materials Management Office (MMO) is the purchasing arm of the State, and the buyer is in control of the procurement process. SCDHHS followed the instructions of the buyer at the time the Broker proposals were evaluated. At that time, MMO **did not** require evaluators to complete a form with a brief written explanation of the reasons for their scoring decisions. Instead, MMO instructions stated: “Evaluation members may support their reasoning for discussions and evaluation with appropriate documentation or notes. ... Worksheets or evaluators notes **will not be taken up or become part of the file.**” (Emphasis added)

While the LAC may have recommended in a previous audit of MMO that they require evaluators to document the basis for their scoring, this recommendation was implemented **after** this procurement was evaluated, and no form was provided to evaluators. SCDHHS complied with every aspect of the Procurement Code and MMO’s instructions at the time of the contract award.

Furthermore, there is no requirement in the SC Procurement Code for an evaluator to provide written documentation for his scoring of a vendor’s proposal, as stated by the LAC. The evaluator is required to enter a numerical score for the proposal based on the requirements of the



RFP and in accordance with the weights, if given, of each evaluation criteria. Evaluators are expected to be able to support their scoring decision; however, in so doing, the law does not require evaluators to provide written documentation of their scoring as part of the contract file. DHHS believes that the LAC has misinterpreted the meaning and requirements of SC Code §11-35-1530 (9), and that there was adequate documentation to support the award of the contract.

- *Due to an error in the procurement process, DHHS awarded rate increases to the NEMT Brokers. The contracts, however, did not specify when rates could be adjusted or the methodology for calculating rate adjustments.*

While the Brokers' Per Member Per Month (PMPM) rate may have increased, the number of potential Medicaid eligibles decreased; therefore, the total contract amount bid by the Brokers did not increase. The Brokers signed Change Orders agreeing that the rate adjustment would keep the Brokers within the maximum potential value of the contract as originally bid. This information was provided to the LAC.

Also, page 34 of the contract allows for amendments to provisions of the contract, which would include rates. Specifically, the provision states that, "Amendments to any contract between the agency and the contractor must be reviewed and approved by the Materials Management Office." In addition, the LAC's assertion that the contract has no provision for how rate adjustments should be calculated is wrong. The Broker contracts do in fact require that rates be actuarially sound. The adjusted rates were within the actuarially sound ranges established by the actuaries.

We also explained to the LAC that while the number of Medicaid-eligible clients projected for the cost basis of the contract was overstated, this was not due to any error of calculation or inadequate data controls on the Medicaid eligibility system. There are multiple ways to legitimately count Medicaid beneficiaries: the total number of unduplicated beneficiaries in the year; actual number eligible each month; actual number receiving services each month, etc. Each method will yield different results but each is valid and correct, depending on the need for the count.

- *DHHS has made payments to the NEMT Brokers at the beginning of each month. The broker contracts require payment at the end of each month. Assuming a 3% interest rate, these early payments will cost the federal government and South Carolina about \$365,000 for a three-year period.*

SCDHHS will conduct an evaluation to ensure the Brokers and the transportation providers would not be negatively impacted by changing payment from the first of the month to the end of the month. If the medical transportation providers would be negatively impacted, then SCDHHS will amend the contract to allow for Broker payments at the beginning of each month. The LAC's conclusion in this finding is based on assumptions that are not valid.

#### **NEMT Broker-Based System Beginning in 2007**

- *The department does not have adequate performance measures or goals for the cost of the NEMT program.*

SCDHHS already collects monthly detailed data from the Brokers that can be used to develop performance measures for determining program cost and/ or efficiency. This data is reviewed for accuracy and thoroughly discussed at the monthly meetings held with each Broker. (These data were also made available to the LAC for review.) These major performance measures, by region, Broker, month, and year-to-date, include these areas:

- Number of Trips by Type
- Number of Miles Traveled
- Number of Beneficiaries Served
- Call Center Operation details
- Number of / Reason for Denials
- Number and Type of Complaints
- Details of Complaint Resolution

The agency creates a Transportation Broker Report Card by abstracting data from the monthly reports of performance measures. The report cards are sent to the SC Legislature and were provided to the LAC. Regional information in the Report Cards allows for comparison and trending over time. Since the LAC declined to include a copy of the Broker Report Card in its report, we are including an example with our comments so that readers can see for themselves.

Through the Broker system, DHHS knows the cost per client, and DHHS has control over this cost since it is a flat per member per month rate that is computed by actuaries and determined to be actuarially sound. DHHS is also developing requirements for improved encounter data submissions from the Brokers, which will provide more statistical information and other cost measures as envisioned by the LAC. Also, DHHS is working with our actuaries to conduct a detailed analysis of Broker costs.

Also, both transportation Brokers are accredited by an organization known as URAC (Utilization Review Accreditation Commission). URAC is a non-for-profit organization that promotes continuous improvement in the quality and efficiency of health care management through the processes of accreditation, education, and measurement. By virtue of this accreditation both Brokers have developed standards, performance goals, and quality measurement programs.

Finally, a study was completed in March 2009 by one of the Brokers to determine the overall capacity of the South Carolina Transportation Provider Network. The objective was to quantify the network passenger capacity based upon the established vehicle assets to perform service requirements to satisfy the SCDHHS Agreement. The study found that each region had adequate resources to meet the current and projected demand for transportation services, and also identified areas for improvement with respect to the utilization, efficiency and available capacity.

- *Because DHHS did not measure quality of service under its in-house system, we could not assess changes in the quality of service under the broker system.*

SCDHHS commissioned the University of South Carolina, Institute for Public Service and Policy Research, to conduct a survey of Medicaid beneficiaries who had received transportation services provided through the Broker system. The survey, which was first conducted in October 2007, was based on completed interviews with 767 beneficiaries who had received at least one Medicaid trip in the past 30 days. Eighty-eight percent (88%) of beneficiaries surveyed said

they were “very satisfied” (65%) or “somewhat satisfied” (23%) with transportation services. Among those beneficiaries who utilize non-emergency transportation the most (20 or more times per month), about 93% said they were satisfied. Detailed information on complaints and the reasons for dissatisfaction was also collected. In addition, respondents were asked how they felt about their current service compared to that received six months ago (before the Broker system was implemented). Among all respondents, 52% said service is better now than it was prior to the new system’s implementation in May, and 34.2% indicated that it was about the same.

A follow-up beneficiary survey was conducted this year and reinforces the positive impact of the Broker system. Preliminary findings reported to SCDHHS in March show that 82% of respondents reported that the NEMT transportation meets their needs (77% “always” and 12% “usually”); 50.4% rated the Broker-based system “the best transportation service possible.”

The transportation survey as conducted by the USC Institute for Public Service and Policy Research is one of the best indicators of how the Medicaid NEMT service has improved under a Broker system, and has proved to be an excellent program evaluation tool for SCDHHS.

- *The department does not report performance data regarding the punctuality and length of trips provided to Medicaid clients.*

SCDHHS collects data monthly from each Broker on the number of trip pick-ups and deliveries that were on time, with a performance goal of equal or greater than 90% of the time. We review the data with the brokers and are working with them and the local providers to establish an automated data collection effort.

- *DHHS has begun onsite reviews of the work processes of the brokers and transportation providers and has developed plans to begin onsite audits of the accuracy of performance data. The department, however, has not conducted onsite audits to ensure that, when the Brokers deny transportation to individuals, it is for reasons authorized by federal law, state law, and the broker contracts.*

SCDHHS has conducted three on-site reviews of the Broker call centers during the past several months, and a fourth was conducted in February 2009 with the report currently under development. Several individual transportation providers were also reviewed on-site, and three more reviews are scheduled for April 2009. SCDHHS has an 80-page Transportation Broker Review Plan for eight major areas the agency is responsible for reviewing in order to demonstrate contract compliance. Under each of these eight areas there are 339 individual program activity aspects identified for review. These major areas include:

- Trip Reservation Review
- Trip Scheduling and Cancellation Review
- Complaint Process Review
- Member Education and Communication Review
- Non-Emergency Transportation Network Review
- Contracted Transportation Provider Review
- Non-Contract Transportation Provider Review
- Broker Back Office Review

The SCDHHS transportation program review includes a plan to verify the source data of the monthly reports and ensure that it is correctly pulled from the Brokers' data management systems. Also, SCDHHS does review in detail the reasons for each denied trip to ensure the Brokers are complying with all applicable rules and policies. Overall, in FY 07-08, denials accounted *for less than 1% (0.87%)* of all trips.

- *The Medicaid Transportation Advisory Committee, established by the General Assembly, is not adequately independent of DHHS.*

SCDHHS has followed all legislative requirements for establishing the Medicaid Transportation Advisory Committee. This finding implies that the committee is ineffective. On the contrary, the department has found the input of the Medicaid Transportation Advisory Committee to be very valuable, and has made positive changes to the program as a result of their recommendations. The TAC provided valuable assistance on the development of the Broker Report Card, for example. The committee has done exactly what it is supposed to do, even without a chairman. The meetings are facilitated by SCDHHS, not chaired or "presided" over by the agency. The TAC is free to meet independent of SCDHHS at any time.

In addition to the six quarterly meeting held so far, SCDHHS has met monthly with the Brokers, met 35 times with individual transportation providers, attended 46 regional broker meetings, and has held five transportation training sessions. The outcomes of these meetings are discussed with the TAC. Some of the other issues tackled by the Medicaid Transportation Advisory include:

- Development of a Regional Report for comparison and trending;
- Review of the beneficiaries' satisfaction survey conducted by USC;
- Development of recommendations to improve call center response times.

Notwithstanding the LAC's opinion, SCDHHS greatly appreciates the efforts and participation of the Medicaid Transportation Advisory Committee.

- *DHHS could enter into improved broker contracts by re-soliciting proposals from vendors for the service period beginning in 2010.*

SCDHHS believes it would be in the best interest of the State and its Medicaid beneficiaries to exercise at least one of the option years to extend the contract. This would allow SCDHHS time to collect at least three years' worth of performance and statistical data, and to be able to thoroughly review this data and lessons learned. A contract extension would also allow SCDHHS and our actuaries time to conduct the formal cost benefit analysis recommended by the LAC. Careful data analysis and planning will result in the award of a contract(s) that best meets the needs of Medicaid beneficiaries and the Medicaid program.



**South Carolina Department of Health and Human Services**

**Broker Report Card**



<b>Transportation Metrics</b>	<b>October 2008 Final</b>	<b>November 2008 Final</b>	<b>December 2008 Final</b>	<b>SFY 2009 Totals</b>
<b>Total trips provided by type of transportation</b>	<b>122,066</b>	<b>101,266</b>	<b>108,698</b>	<b>676,227</b>
• Non-Emergency Ambulatory Sedan/Van Trips	102,431	84,653	90,677	563,875
• Wheelchair Trips	15,126	12,700	14,051	88,606
• Stretcher Trips	1,645	1,468	1,516	9,024
• Individual Transportation Gas Trip	2,578	2,087	2,061	13,193
• Non-Emergency Ambulance/BLS (Broker Sponsored)	0	0	0	0
• Public Transportation Bus Trip	286	358	393	1,529
• Extra Passenger - Not Added To Total Trips	0	0	0	0
<b>Actual number of calls</b>	<b>43,024</b>	<b>31,925</b>	<b>32,618</b>	<b>223,640</b>
• Average phone calls daily	1,593	1,277	1,255	1,432
• Average Answer Speed	01:28	01:08	00:27	00:59
• Average Talk Time	03:27	03:35	03:25	03:25
• Average Time On Hold	00:38	00:44	00:43	00:42
• Average time on hold before abandonment	01:23	01:26	01:36	01:20
• Average number of calls abandoned daily	115	69	37	78
<b>Total number of complaints by type</b>	<b>779</b>	<b>579</b>	<b>749</b>	<b>3,771</b>
• Provider No-Show	223	151	218	1,124
• Timeliness	408	355	371	2,048
• Internal Complaint	55	30	88	245
• Call Center Operator	18	10	18	73
• Driver Behavior	1	3	2	11
• Provider Service Quality	2	2	1	13
• Miscellaneous	67	24	34	210
• Rider Injury / Incident	5	4	17	47
• Complaints as percentage of total trips	0.64%	0.57%	0.69%	0.56%
<b>Total number of denials by type</b>	<b>624</b>	<b>562</b>	<b>555</b>	<b>3,446</b>
• Non-Urgent / Under Days of Notice	234	209	155	1,086
• Non-Covered Service	304	266	282	1,861
• Ineligible For Transport	15	29	23	127
• Unable to Confirm Medical Appointment w/ Provider	6	12	16	40
• Does Not Meet Transportation Protocols	0	0	0	1
• Alternate Forms Of Transportation Available	0	0	0	2
• Not a Medicaid Enrolled Provider	0	0	0	0
• Incomplete Information	6	4	24	51
• Wrong Level Of Service And Ambulance	59	42	55	278
• Beneficiary Has Medicare Part B	0	0	0	0
• Denials as percentage of total trips	0.51%	0.55%	0.51%	0.51%

TRIPS, DENIALS AND COMPLAINTS BY REGION - SOUTH CAROLINA  
LOGISTICARE AND MTM  
SFY 2008



	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	Totals
<b>Region 1</b>													
Number of Trips	27,012	29,923	26,708	30,841	27,307	25,355	29,753	29,109	29,453	31,692	31,187	29,724	348,064
Denials	276	318	391	432	356	302	195	232	442	381	171	251	3,747
Complaints	138	127	108	66	56	27	26	33	20	40	37	29	707
<b>Region 2</b>													
Number of Trips	19,190	20,786	18,732	22,244	19,425	18,019	20,340	19,479	19,579	21,010	20,683	18,972	238,459
Denials	183	167	207	315	238	228	209	159	328	228	140	184	2,586
Complaints	150	186	124	89	58	23	30	30	25	31	30	32	808
<b>MTM Totals</b>													
Number of Trips	46,202	50,709	45,440	53,085	46,732	43,374	50,093	48,588	49,032	52,702	51,870	48,696	586,523
Denials	459	485	598	747	594	530	404	391	770	609	311	435	6,333
Complaints	288	313	232	155	114	50	56	63	45	71	67	61	1,515
<b>Region 3</b>													
Number of Trips	23,960	25,551	21,195	24,677	21,881	20,736	24,524	22,044	22,838	23,619	22,601	22,660	276,286
Denials	255	335	345	285	159	147	143	152	148	131	130	113	2,343
Complaints	41	37	37	43	31	34	37	51	66	108	62	72	619
<b>Region 4</b>													
Number of Trips	25,663	27,611	23,561	27,483	24,457	22,178	25,903	24,280	23,595	27,499	22,853	24,120	299,203
Denials	193	338	412	374	190	198	253	230	200	227	192	188	2,995
Complaints	41	18	24	39	31	34	29	43	20	35	24	39	377
<b>Region 5</b>													
Number of Trips	39,253	42,740	36,719	41,929	37,053	34,301	36,694	33,367	34,481	36,709	35,031	34,796	443,073
Denials	200	477	524	435	210	177	233	210	170	214	191	193	3,234
Complaints	29	39	70	110	85	59	60	70	51	84	93	113	863
<b>Region 6</b>													
Number of Trips	26,984	30,465	26,040	29,214	25,574	24,313	27,477	27,095	26,426	28,452	27,708	28,617	328,365
Denials	120	294	326	285	135	116	126	110	118	107	144	120	2,001
Complaints	63	72	119	112	64	57	101	211	136	245	210	289	1,679
<b>Logisticare Totals</b>													
Number of Trips	115,860	126,367	107,515	123,303	108,965	101,528	114,598	106,786	107,340	116,279	108,193	110,193	1,346,927
Denials	768	1,444	1,607	1,379	694	638	755	702	636	679	657	614	10,573
Complaints	174	166	250	304	211	184	227	375	273	472	389	513	3,538
<b>State Totals</b>													
Number of Trips	162,062	177,076	152,965	176,388	155,697	144,902	164,691	155,374	156,372	168,981	160,063	158,889	1,933,450
Denials	1,227	1,929	2,205	2,126	1,288	1,168	1,159	1,093	1,406	1,288	968	1,049	16,906
Complaints	462	479	482	459	325	234	283	438	318	543	456	574	5,053